

Message Text

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ACTION EUR-12

INFO OCT-01 IO-10 ISO-00 AID-05 CIAE-00 COME-00 EB-07

FRB-01 INR-07 NSAE-00 TRSE-00 XMB-04 OPIC-06 SP-02

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E.O. 11652: N/A

TAGS: EFIN, GATT, IC

SUBJECT: LIMITATIONS ON FOREIGN EXCHANGE DEALINGS EASED

REF: REYKJAVIK A-21 OF MARCH 7, 1975

1. ON MARCH 7 THE MINISTRY OF COMMERCE ISSUED THE FOLLOWING
NEWS RELEASE:

A. "OF LATE IT HAS BEEN CONSIDERED UNFAVORABLE TO
LIMIT THE SALE OF FOREIGN EXCHANGE, DUE TO ICELAND'S
INTERNATIONAL RESERVE POSITION, AND THIS HAS RESULTED
IN SOME EXCHANGE TRANSACTIONS BEING SOMEWHAT DELAYED.
NOW THAT THE DEVALUATION AND LIMITATIONS ON BANK LOANS
(SEE REFAIR) HAVE TAKEN PLACE, IT IS HOPED THAT A
GREATER EQUILIBRIUM IN FOREIGN EXCHANGE TRANSACTIONS
CAN BE ACHIEVED. THE GOVERNMENT HAS THEREFORE IN
CONSULTATION WITH THE CENTRAL BANK DECIDED TO LIFT MOST
OF THE RESTRICTIONS WHICH HAVE BEEN IN FORCE REGARDING
FOREIGN EXCHANGE TRANSACTIONS LATELY. THE AIM WILL BE
THAT THOSE BANKS DEALING IN EXCHANGE WILL SOON BE ABLE
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TO TRADE IN EXCHANGE FOR THE PURCHASE OF NON-RESTRICTED

GOODS AS PREVIOUSLY. HOWEVER, THE BANKS DEALING IN EXCHANGE WILL CONTINUE FOR THE TIME BEING TO SUPERVISE THE SALE OF EXCHANGE TO BE USED FOR SPECIAL PURCHASES SUCH AS CARS, CONSTRUCTION MACHINERY, FURNITURE, KITCHEN AND OTHER CABINETS, BISCUITS AND OTHER BAKING PRODUCTS. THE PRODUCTS WILL, HOWEVER, CONTINUE TO BE ON THE FREE TRADE LIST AND IT IS HOPED THAT SALE OF EXCHANGE TOWARDS THEIR IMPORTS WILL BE POSSIBLE WITHOUT ANY CONSIDERABLE DELAYS.

B. "IT HAS ALSO BEEN DECIDED TO MAKE SOME CHANGES IN THE REGULATIONS GOVERNING FOREIGN CREDIT IN AN EFFORT TO LIMIT IMPORTS WHILE THE PRESENT DIFFICULTIES ARE WITH US. CREDIT PERIODS WILL BE SHORTENED FROM WHAT THESE HAVE BEEN, COVERING AMONG OTHER THINGS IMPORTATION OF HEAVY CONSTRUCTION MACHINERY AND EQUIPMENT, TRACTORS, TRUCKS, STATION TYPE VEHICLES, AND CARS FOR WHICH CREDIT HAS BEEN APPROVED. IT HAS NOT BEEN CONSIDERED WISE TO LIMIT THE CREDIT TERMS FURTHER ON IMPORTS OF OTHER TYPES OF GOODS."
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